

McAllen Area ECONOMIC PULSE

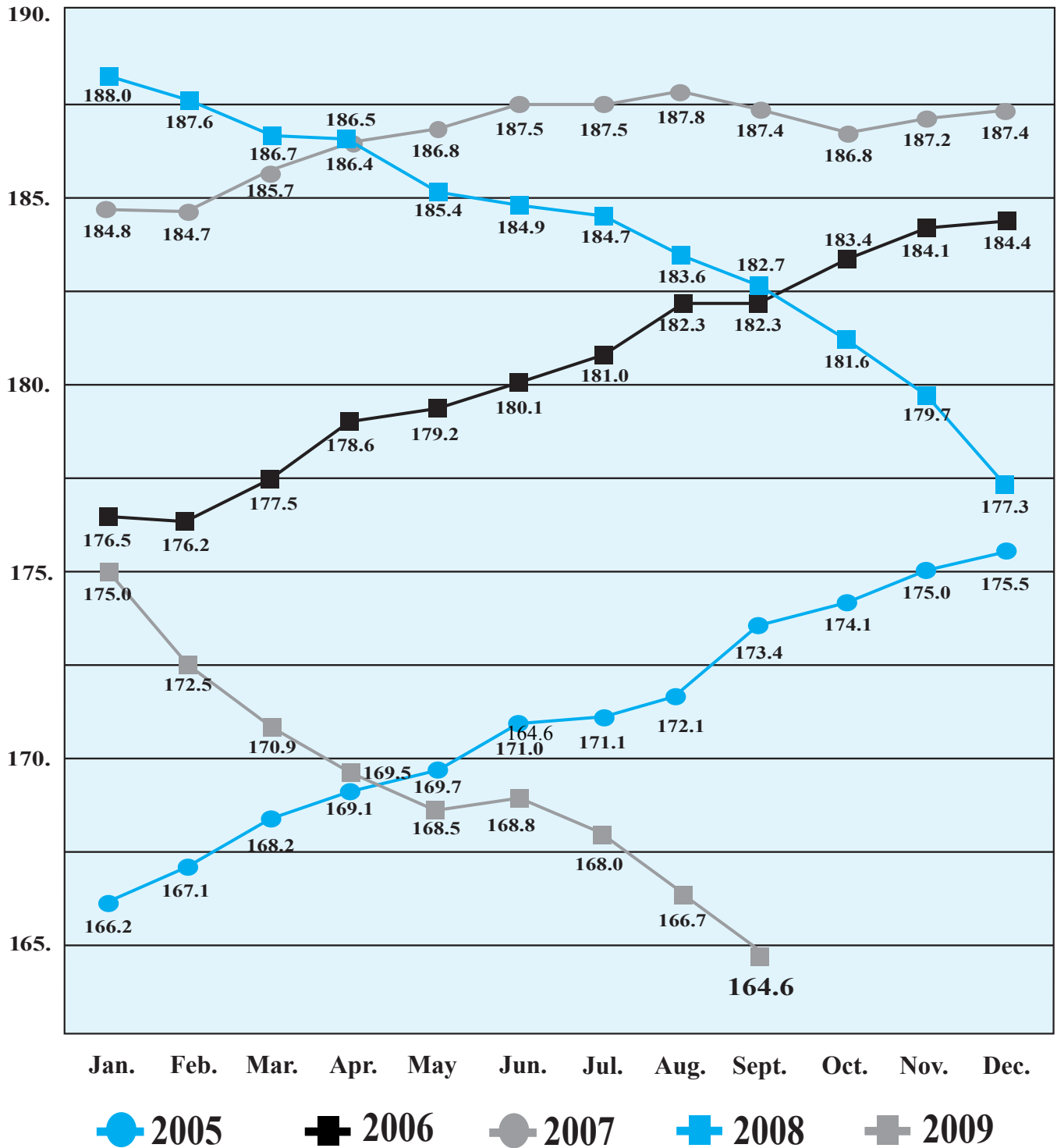
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September 2009 Economic Pulse

The McAllen Chamber of Commerce Economic Index

INDEX (Base=100 Jan 1996)

The economic indicators on pg. 2 are used to formulate the overall economic pulse.



The McAllen Area Economy

ECONOMIC INDICATORS	THIS YEAR September 2009	LAST YEAR September 2008	% CHANGE 09/08 - 09/09
Retail Sales (\$000's - 3rd Quarter in 1995\$)	\$753,937	\$844,243	-10.7%
Retail Sales (\$000's - Year-To-Date)	\$2,341,721	\$2,550,058	-8.2%
Dollars Spent on Auto Purchases (\$000's - 3rd Qtr in 1995\$)	\$215,549	\$260,377	-17.2%
Dollars Spent on Auto Purchases (\$000's - YTD)	\$641,250	\$892,225	-28.1%
Lodging Tax Receipts (3rd Quarter)	\$925,732	\$1,171,745	-21.0%
Lodging Tax Receipts (YTD)	\$2,583,340	\$3,061,660	-15.6%
Airline Boardings (3rd Qtr)	103,163	93,027	10.9%
Airline Boardings (YTD)	280,807	297,161	-5.5%
Value All Construction Permits (3rd Qtr)	\$63,612,942	\$159,629,558	-60.1%
Value All Construction Permits (YTD)	\$259,632,216	\$467,322,176	-44.4%
New Home Permits (3rd Qtr)	305	300	1.7%
New Home Permits (YTD)	909	1,022	-11.1%
Home Sales (3rd Qtr)	556	652	-14.7%
Home Sales (YTD)	1,678	2,090	-19.7%
Average Home Sale Price (3rd Qtr)	\$123,171	\$127,965	-3.7%
Average Home Sale Price (YTD)	\$122,631	\$124,162	-1.2%
Hidalgo Bridge Crossings (3rd Qtr)	1,507,344	1,605,761	-6.1%
Hidalgo Bridge Crossings (YTD)	4,455,265	4,839,660	-7.9%
Peso Exchange Rate (September)	\$13.80	\$10.95	26.0%
Employment			
Wage & Salary Employment (September)	218,200	215,400	1.3%
Wage & Salary Employment (YTD Avg)	219,200	218,000	0.6%
Unemployment Rate (September)	11.5	7.8	N/A
Unemployment Rate (YTD Average)	10.3	7.1	N/A
INDEX - September (Base=100 Jan 1996)	164.6	182.7	-9.9%

In January 2004 the Texas Comptroller's Office began tracking "Manifestos" -- requests for sales tax refunds on items purchased by Mexican citizens or for export into Mexico.

	Export Sales per Manifestos	Total Retail Sales (Not adjusted for inflation)	Percent Export Sales of Total Sales
September 2009	\$25,587	\$376,126	6.8%
YTD 2009	\$232,159	\$3,286,659	7.1%

The McAllen Economic Index dipped again in September, falling to 164.6, down from 166.7 in August, and down 9.9% compared to the September 2008 MEI of 182.7. After a one-month slight reprieve from May to June (in which the MEI increased by three tenths of a point), the index has declined for the last two months, and for 19 of the last 20 months. That 20 months represents the duration of the local economic contraction thus far, and it seems likely to last into 2010 at this point.

Consumer activity continues to act as a major drag on the index, with inflation-adjusted general retail spending down well over 10% in the third quarter compared to the third quarter of a year ago, and YTD through September spending down over 8%. Inflation-adjusted spending on new and used automobiles remains sharply negative as well, down over 17% for the quarter (year-over-year), and 28% for the year-to-date.

Quarterly passenger boardings at McAllen International surpassed 100,000 for the first time since the first quarter of 2008, and outpaced the third quarter of last year by over 10%. For the YTD, enplanements remain down by some 5.5%. Also in the travel/tourism sector, hotel/motel tax receipts remain significantly depressed in McAllen, down about 21% in the third quarter and 15.6% YTD.

After an uptick in the 2nd quarter, construction activity turned sharply lower in the third quarter with the valuation of building permits issued down about 60% compared to the third quarter of a year ago; the year-to-date total is down by well over 40%. Home building improved slightly in the third quarter; however, current year numbers are being compared to very low numbers from a year ago, and the year-to-date total remains over 10% behind last year's low levels of activity.

Existing home sales continued to decline in the third quarter, down about 15% year-over-year, and nearly 20% for the YTD. Prices have slipped a bit, but not catastrophically, down about 3.7% in the third quarter, and just over 1% for the YTD.

Local employment continues to buck the downward trends, and in fact is the only Texas metro area currently indicating positive job growth. That current growth trend may or may not survive the annual revision process that will take place early in 2010, but the current best estimates indicate slow but positive job growth of about 1.3% over the last 12 months. The unemployment rate remains elevated at over 11% in September, and over 10% for the average year-to-date.

Key Points